National Association of State Liaisons

FOR WORKFORCE DEVELOPMENT PARTNERSHIPS

RECOMMENDATIONS ON REAUTHORIZATION OF THE WORKFORCE INVESTMENT ACT

National Association of State Liaisons for Workforce Development Partnerships
The National Association of State Liaisons consists of the representatives designated by the Governor of each state and territory (or one or two alternates) who manage the implementation of workforce development programs, including the Workforce Investment Act. The association provides a forum for the exchange of information among state representatives and a vehicle for expressing collective views that will maintain and improve the effectiveness of workforce programs.

Accomplishments under the Workforce Investment Act
Since the passage of the Workforce Investment Act (WIA) in 1998, states have moved swiftly to implement the universal-access, customer-driven and accountable workforce investment programs envisioned by Congress. Every state has established public-private partnerships—called workforce investment boards—at the state and local levels to provide leadership and oversight for workforce development programs. Although not required to do so, over half of states established state-level youth councils to coordinate youth activities across agencies.

Every state has implemented a network of one-stop career centers that provide any adult citizen with access to information on jobs and careers, employment services and education and training resources. Two years after full implementation of WIA, there are nearly 2000 comprehensive one-stop centers in communities across the nation, according to the U.S. Department of Labor. People can go to the one-stop centers to find new or better jobs and build their skills for future employment. At the same time, employers turn to the centers for assistance in finding qualified workers, training services when they are expanding and outplacement assistance if they are downsizing.

In addition to the one-stop centers, states and their local partners have implemented a new system of training that features increased individual choice. Under the Job Training Partnership Act (JTPA), many local areas relied upon standing contracts with training providers to provide services to customers. WIA replaced most standing service contracts with individual training accounts (ITAs) that provide customers with greater flexibility in selecting training of their choice. Reacting to this sea change in policy, states and their local partners designed new policies and systems for managing ITAs for customers.

Though still under development, the state workforce investment systems have proven their value in the face of critical economic challenges. When the nation entered recession in early 2001, a rising number of unemployed individuals turned to the new one-stop centers for assistance in finding new jobs or skill development. National and regional newspapers ran stories highlighting one-stop centers, Internet job banks and other resources available to laid-off workers—resources which had not been widely available during the last recession in 1990-1991.

While stepping up the level of services in one-stop career centers, states took additional steps to cushion the impact of job losses on people and businesses. All states used rapid response teams to provide timely information and services to businesses and workers following a business closure or large-scale layoff. Most states used WIA rapid response funds to provide additional assistance to local areas that were experiencing unusually high unemployment or heavy layoffs.

States also spearheaded innovative initiatives to assist laid-off workers. Some states quickly designed condensed training programs that moved dislocated workers from declining to growing sectors of the economy. Other states pooled money from WIA and a variety of federal and state programs and issued "quick response" grants for retraining displaced workers.

Despite the recession and a sluggish recovery, businesses in some sectors have continued to demand a steady supply of skilled workers. States have responded by using discretionary WIA funds to close skill gaps in a variety of industries. Some states have launched new initiatives to fill anticipated vacancies for new teachers, nurses and child care workers. Other states have supported regional partnerships of businesses, educational institutions and government agencies to address skill needs in growing industry clusters. In addition, about 20 states have used their discretionary WIA funds to boost the skills of currently employed workers.

The emerging workforce investment systems also have advanced the goals of welfare reform. According to the General Accounting Office, about 40 states have colocated TANF work programs in at least some local one-stops, resulting in a more comprehensive array of employment, support and other services for welfare recipients. Some states have taken a different route to coordination by out-stationing workforce staff in welfare offices where they help to assess and refer welfare recipients to appropriate programs. Other states have closely integrated TANF and WIA services by consolidating state agencies and staff or by requiring welfare recipients to use the one-stop network as a first stop for employment and work-related services.

Challenges under the Workforce Investment Act

The progress in implementing WIA has come despite challenges, which have been well documented by the General Accounting Office and other observers. The underlying challenge is a mismatch between the Act's goal—building a more unified and effective system with multiple partners—and the reality of continued program silos and unstable funding. That mismatch helps to explain many of the challenges that are summarized below:

- *Unclear roles and responsibilities of partners in the one-stop system*
  Although states have worked hard to build new one-stop systems that include multiple partners, collaboration has not been easily attained. Some of the mandatory partners have expressed concerns that full participation in the one-stop system would not meet the needs of their target populations and could lead them to provide services to ineligible customers. In addition, some of the partners have cited resource constraints as a barrier to making financial

contributions to one-stop service delivery and to providing services through the one-stop system. Federal guidance to state and local partners has not clarified the roles and responsibilities expected of mandatory partners.

- *Cumbersome and complex performance measures and requirements for training providers*
  It is no accident that the WIA performance requirements drew a high number of comments during the reauthorization forums recently held across the country. The accountability structure required by WIA includes numerous indicators for different target populations with complex definitions and methodology. Customer satisfaction measures, in particular, require states to implement complicated new procedures. Moreover, the core indicators required by Title I of WIA are not aligned with those required by related federal programs, even those authorized by other titles of WIA.

  A related issue is performance requirements expected of training providers. Many training providers view the reporting requirements as unduly burdensome. As a result, providers in many states are reducing the number of course offerings and programs available to WIA participants.

- *Conflicting definitions and reporting requirements among federal programs*
  Although WIA reduced the thicket of regulations surrounding JTPA, it did not eliminate separate program silos and the many constraints that the silos impose. There are still inconsistent definitions for related programs. Also, reporting on program activities using integrated service delivery is difficult and time consuming due to different reporting requirements for different programs. The lack of common definitions, reporting requirements and performance measures reinforces the walls of the program silos, undermining the integration envisioned by the drafters of WIA.

- *Unstable funding due to allocation formulas and rescission*
  Just as states were gearing up to provide services to workers affected by the economic downturn in 2001, a rescission of $110 million of dislocated worker funds was enacted. The rescission also came in the midst of early efforts to implement the wide-ranging policy and system reforms required by WIA. At the same time, the dislocated worker funding formula specified in WIA has caused dramatic funding fluctuations that often are not related to the current number of dislocated workers in a state. The reduction in funding combined with the volatility in the funding formula creates uncertainty about the reliability of funding and inhibits effective planning and service delivery.

General Themes of Recommendations

The State Liaisons are proud of the progress in implementing a new workforce investment system under time constraints and in the face of many challenges. Our experience since 1998 shows that WIA provides a solid foundation upon which states can build more unified and effective workforce systems. We present the attached recommendations to improve on this solid foundation, so that states—with their local partners—can achieve the promise of the universal-access, customer-driven and accountable system envisioned by Congress.

Key themes that run throughout the recommendations are:

- *Additional flexibility for states and localities*
  WIA granted flexibility in some areas, such as pooling of state-level discretionary funds for adult, dislocated worker and youth services. However, states require additional flexibility to knit together services and funding from WIA and related programs and to tailor workforce strategies to the needs of individuals, businesses and local communities.

- *Renewed system building*
  WIA established several components of a broad-based workforce system, including business-led workforce investment boards and one-stop systems with multiple partners. New efforts are needed to enhance the independence and standing of the business-led boards and one-stop centers in local communities. In addition, states seek greater alignment of federal partner programs to support development of a more unified and effective system.

- *Adequate funding*
  Unlike JTPA, WIA requires delivery of basic information and services to any adult who accesses the workforce system through one-stop centers. Yet, WIA and Wagner-Peyser Act funds are currently the only sources of funding that support universal services. Adequate funding of WIA is needed to attain the reality of universal access and to provide opportunities for more intensive services and training to those who need them.

Our detailed recommendations for improving WIA are laid out below.

Attachment: Detailed Recommendations

State and Local Boards

Issues

Establishment of public/private partnerships with strong business leadership is an essential principle of WIA. State and local workforce investment boards were established as part of Title I of WIA, which specifies that oversight of Title I programs is foremost among board duties. As a result, both business members and partner agencies have tended to view the boards primarily as administrative and oversight entities for the three Title I funding streams allocated by the U.S. Department of Labor.

In addition, rigid requirements for membership on boards, established in legislation and elaborated in regulation, have produced large and unwieldy governing entities in some states and many localities, which tend to discourage business participation. The membership requirements also have limited state flexibility in creating and modifying boards to reflect unique needs.

Principle

The State Liaisons support a strong and continued role for business-led boards at the state and local levels. Business-led boards are a critical component of a demand-driven system. Among other important functions, they provide an essential forum for exchange of information among providers and consumers of workforce services.

We recommend changes to elevate the importance and independence of state and local boards, given that they have important functions that go beyond oversight of Title I programs. We also seek greater flexibility for states in establishing requirements for board representation, while maintaining a private sector majority and chair.

Recommendations

- Separate governance from programmatic requirements by establishing a separate title in WIA for state and local workforce investment boards.
- Specify duties of local boards broadly to include system building, strategic planning, knowledge development as well as continued oversight of one-stop systems.
- Allow governors, with assistance from state boards, to submit for federal approval a single integrated strategic plan that can meet the needs of multiple partners rather than separate program plans or a compilation of such program plans.
- Make board membership requirements more flexible by adopting any of the options below:
    a) eliminating the requirement to include 2 or more representatives from each membership category on local boards;
    b) allowing governors to select state board members from general categories rather than from specific programs (e.g. the private sector, postsecondary

education, economic development, public assistance and employment and training) *and* to set similar criteria for membership on local boards;

c) allowing governors to select public sector state board representatives from three groups rather than from specific programs: general workforce programs (such as WIA, Wagner-Peyser etc.), programs for targeted populations (such as vocational rehabilitation, etc.) and education and training providers <u>and</u> to set similar criteria for membership on local boards.

- Amend authorizing legislation of mandatory partners to authorize financial contributions to the administration of state and local boards.
- Authorize governors to waive the requirement for separate youth councils at the local level.

One-Stop Systems

Issues

WIA firmly established the one-stop service delivery system as the front end to a range of publicly funded services and information. However, although one-stop centers are intended to bring together services from multiple public partners, most partners still view the one-stop centers as the creatures of local boards and the Department of Labor. Moreover, integration of services in one-stop centers has moved slowly due to concerns expressed by some partners about cumbersome cost allocation and resource sharing requirements.

Principle

The State Liaisons support the one-stop system as the preferred model for providing workforce services in local communities. Effective one-stop systems have produced clear benefits for customers and partners. Given their broad-based benefits, we recommend changes to enhance the standing and independence of one-stop systems. We also seek changes to maximize the flexibility of governors in designing the one-stop system to address unique needs.

Recommendations

- Separate one-stop system from other Title IB programmatic requirements by:
  a) establishing a separate subtitle within Title I of WIA for the one-stop delivery system; OR
  b) creating a subtitle for one-stop systems within a new title for state and local workforce investment boards.
- Amend authorizing legislation of mandatory partner programs to clarify requirements for participation in the one-stop system and to authorize each partner to contribute funding for the establishment and maintenance of one-stop centers.
- Allow governors to determine the design of the state's one-stop system by defining roles and responsibilities of partners and by exercising authority to add new mandatory partners.
- Reduce barriers posed by cost allocation and resource sharing requirements by:
  a) allowing governors, under a set of joint guidelines from federal secretaries, to develop cost allocation plans that apply to partners specified in the plan and

that are deemed approved substitutes for related provisions of Office of Management and Budget (OMB) Circulars;

b) aligning definitions of cost categories (e.g. administration) across federal programs without imposing additional categories on any program.

- Authorize, without mandating, sharing of data among one-stop partners, consistent with state law.
- Allow the use of WIA Title IB adult funds to provide core services to youth.

Alignment of Programs and Performance Measures

Issues

Although WIA eliminated some conflicting definitions and regulations inherent in JTPA, the lack of alignment of federal partner programs is a continuing concern. Conflicting requirements and funding cycles continue to impede integration at the state and local levels. Moreover, differing definitions and requirements continue to complicate cost allocation and resource sharing in one-stop systems. Separate performance measures also produce fragmentation rather than unity of effort.

Principle

The State Liaisons urge increased alignment of definitions, reporting requirements, planning requirements and funding cycles across federal partner programs. Increased alignment will allow states and local areas to knit together packages of services that fit the needs of individuals, businesses and local communities.

We view the issuance of common measures by OMB as a positive and long-awaited step toward alignment of different program measures. However, we have concerns about the use of an "efficiency" measure to compare costs across programs. Experience with job training programs in the past has shown that use of "cost per participant" measures can produce unintended consequences in the delivery of services to customers. For example, cost per participant measures tend to drive services away from hard-to-serve populations who are most in need of services, shift investments away from training and other high cost-per-participant activities toward low-cost activities, and are likely to limit the flexibility of state and local service delivery designs. We look forward to working with our federal and local partners to develop and improve common measures.

Recommendations

- Standardize definitions, reporting requirements, planning requirements and funding cycles at the federal level.
- Allow an integrated strategic plan to replace separate program plans required by different federal agencies.
- Reconsider the cost-per-participant "efficiency" measure issued by OMB even if the measure is only used for federal budget allocations.

- Reinforce state flexibility to establish additional measures, including customer satisfaction measures that states can define and administer.
- Revamp the federal-state negotiation process to recognize economic, demographic and program design issues that affect bottom-line performance.

State Waivers and Flexibility

Issues
WIA granted states and local areas additional flexibility in designing policies and providing services. A notable example is the creation of a 15 percent discretionary fund that combines resources from three funding streams and that incorporates broad spending authority. Still, WIA retains many restrictions on transfer of funds and use of funds that limit state flexibility. The waiver authority in WIA is particularly limited.

Principle
The State Liaisons seek increased flexibility for governors to respond quickly to changing conditions and target resources where they are most needed. We also seek to streamline waiver authority specified by WIA.

Recommendations
- Expand authority for governors to approve transfers of funding among all three Title IB funding streams.
- Allow governors to reallocate substate funds in a more timely manner, using such techniques as modifying the methodology and the two-year time frame imposed by current law.
- Allow the Secretary of Labor to waive some provisions of WIA that are currently excepted from general waivers under current law, specifically, eligibility of training or service providers, eligibility of participants, establishment of local areas, functions of local boards and procedures for review and approval of plans.

Adult and Dislocated Worker Services

Issues
WIA established new performance requirements for training providers and consumer information systems. Although collection of appropriate data on training outcomes benefits consumers, it has imposed burdens on training providers, leading to reduced course and program offerings to WIA participants. It is no accident that a high number of waiver requests from states are focused on delaying imposition of the subsequent eligibility requirements for training providers.

In addition, continued confusion about the applicability of a "work first" policy to WIA has limited access to training services. Some states and local areas have established policies, such as required job searches for specified time periods, which amount to artificial barriers to training.

Principle
The State Liaisons continue to support customer choice in the selection of training programs and providers and recognize the value of consumer information on training outcomes. We seek changes to reduce the disincentives to training providers that have surfaced through implementation of subsequent eligibility. We also seek increased flexibility to move participants through the tiered service delivery system. This is to ensure that individuals can receive the most appropriate mix of services to secure employment leading to self-sufficiency in the most efficient manner.

Recommendations
- Eliminate requirements to collect performance data from training providers on all students.
- Allow governors to define performance and reporting requirements for all training providers. Outcomes for participants in Title IB programs, as defined by the governor, would be minimum requirements.
- Clarify the conflicts in federal legislation concerning the relationship between Pell grants and ITAs to ensure that students can use both sources of funding.
- Allow use of ITAs by older youth.
- Increase flexibility to move participants through the tiered service delivery system.
- Allow governors to include additional eligibility categories, such as long-term unemployed, in the state plan. For example, states may extend dislocated worker services to long-term unemployed when a local area can demonstrate that funds are available for other dislocated workers.

Youth Services

Issues
WIA led to a major shift in youth policy that has increased the emphasis on youth development and more intensive, year-round services. However, local areas continue to struggle with burdensome documentation and other eligibility requirements for youth applicants. These requirements have limited access to youth services and have affected the timeliness of service delivery.

In addition, the requirement in WIA for competitive procurement of the 10 youth program elements is unrealistic when applied to small states or rural areas with a limited pool of providers.

Principle
The State Liaisons believe that the youth program should retain its focus on at-risk youth with barriers to employment and out-of-school youth in particular. Apart from WIA, there are

relatively few programs that target services to this population. To improve access to services, we urge changes to streamline the application and enrollment process for youth customers.

Recommendations

- Allow eligibility determination for other federal needs-based programs, especially the school lunch program, to satisfy WIA income eligibility requirements.
- Allow governors to expand the window for serving youth who do not qualify as low-income from 5 to 25 percent, while maintaining the conditions defined in current law.
- Allow local boards to determine how to provide the 10 required youth program elements, whether through a competitive process, through sole source procurement or through agreement with the one-stop operator or one-stop partner program to provide any or all of the elements.

Business Services

Issues

WIA clearly established a strong role for business as the majority and chair of workforce investment boards. WIA also gave states greater discretion in training incumbent workers through use of 15 percent funds. However, the services authorized through WIA, as well as the performance accountability system, are still largely centered upon three categories of individual participants.

Principle

The State Liaisons view business, in addition to individuals, as primary customers of state and local workforce investment systems. WIA should maintain and increase current flexibility for states and local areas to provide services to business. We continue to expect that government, business and other partners should share financing of training for incumbent workers and customized training that is tailored to specific business needs.

The State Liaisons support continued extension of the apprenticeship training model which is valuable to individuals and business. Apprenticeship programs provide important ladders to employment for adults and young people. They are also highly valued by the business community as a pipeline for skilled workers.

Recommendations

- Align requirements for the employer contribution to customized training with requirements for on-the-job training. Instead of requiring employer "to pay not less than 50 percent of the cost of training" as the current law provides for customized training, revise WIA statute to provide that WIA funds can be used to pay *not more than 50 percent* of the cost of training, allowing employers to leverage the other 50 percent rather than provide it up-front.
- Improve design and delivery of labor market information at the federal and state levels to be more current, effective and useful for business customers.

- Issue grants to governors to carry out demonstration and pilot projects for the purpose of developing and implementing new techniques and approaches to apprenticeship programs.

Allocation and Funding Issues

Issues
The dislocated worker funding formula specified in WIA leads to dramatic fluctuations in funding that often do not reflect the number of dislocated workers currently needing services in a state. This volatility in annual allocations to states inhibits effective planning and service delivery.

Principle
The State Liaisons seek to smooth out the dramatic fluctuations in dislocated worker funding. Stable funding is required, not only for effective planning, but also to support ongoing services for customers that continue as WIA participants beyond the first program year.

Recommendations
- Apply a hold harmless provision to all funding streams, including dislocated workers.
- Ensure that adequate funds are available from the national level in a timely manner to respond to exceptional dislocations in states and local areas, especially where there is a current shortage of funds to provide services.
- Allow governors to determine the basis for tracking and reporting on the 30 percent out of school youth requirement.
- Allow governors to track and report 15 percent discretionary funds awarded to local areas as either state or local dollars, as determined appropriate by the governor.